

**REPORT OF THE AUDIT OF THE
KENTUCKY DEPARTMENT OF VETERANS' AFFAIRS
I SUPPORT VETERANS LICENSE PLATE**

**For the Fiscal Year Ended
June 30, 2021**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Lt. Col. (Retired) Whitney P. Allen Jr., Commissioner
Kentucky Department of Veterans' Affairs

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the Kentucky Department of Veterans' Affairs I Support Veterans License Plate (Program), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

Management Responsibility for the Financial Statements

The Program's Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the Program, as of June 30, 2021, and the respective changes in financial position - modified cash basis and, where applicable, cash flows, thereof for the year then ended on the basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2021, on our consideration of the Program's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.

Respectfully submitted,



Farrah Petter, CPA
Assistant Auditor of Public Accounts

August 31, 2021

FINANCIAL STATEMENTS

**KENTUCKY DEPARTMENT OF VETERANS' AFFAIRS
I SUPPORT VETERANS LICENSE PLATE
BALANCE SHEET - MODIFIED CASH BASIS**

June 30, 2021

Assets:

Cash and Cash Equivalents	\$ 134,143
Total Assets	<u>\$ 134,143</u>

Fund Balance:

Restricted	\$ 134,143
Total Liabilities and Fund Balance	<u>\$ 134,143</u>

The accompanying notes are an integral part of the financial statements.

**KENTUCKY DEPARTMENT OF VETERANS' AFFAIRS
I SUPPORT VETERANS LICENSE PLATE
STATEMENT OF RECEIPTS, EXPENDITURES, AND CHANGES IN
FUND BALANCE - MODIFIED CASH BASIS**

For the Year Ended June 30, 2021

Receipts:

Veterans' Plate Sales	\$ 136,902
Total Receipts	<u>136,902</u>

Expenditures:

Salaries and Wages	145,699
Miscellaneous Services and Supplies	125,656
Audit Services	12,180
Telephones	5,208
Printing and Postage	1,633
Office Supplies	1,496
IT Hardware and Software	1,166
Rent	570
Training	130
In State Travel	111
Total Expenditures	<u>293,849</u>

Excess Receipts over Expenditures	<u>(156,947)</u>
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Net Change in Fund Balance	<u>(156,947)</u>
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Fund Balance at July 1, 2020	<u>291,090</u>
Fund Balance at June 30, 2021	<u>\$ 134,143</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

KENTUCKY DEPARTMENT OF VETERANS' AFFAIRS
I SUPPORT VETERANS LICENSE PLATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 - Background

The Kentucky General Assembly established the "I Support Veterans" specialty plate as part of the House Bill 187 and as part of a new Section of KRS Chapter 186. The purpose of the license plate is to establish a means by which non-veteran owners or lessees of a motor vehicle registered under KRS 186.050(1) or (3)(a) may show their support for veterans and contribute to veterans' programs in the Commonwealth of Kentucky. The Kentucky Department of Veterans' Affairs "I Support Veterans" License Plate Fund (Program) receives a portion of the initial and renewal fees from each license plate. KRS 186.162(2)(aa) identifies the Program as an organization eligible to receive a portion of funds from the sale of special license plates. The collection of these funds is discussed further below.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared on a cash basis of accounting modified by the application of KRS 45.229, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recognized when cash is received and expenditures are recognized when cash is paid; however, KRS 45.229 provides that for a period of 30 days after the close of any fiscal year, warrants may be drawn against available balances of appropriations made for that fiscal year for the payment of expenditures incurred during the year or in fulfillment of contracts properly made during the year but for no other purpose.

Concentration of Revenues

Program receipts are derived from the sale of special license plates as authorized in KRS 186.164, available for purchase in each of Kentucky's County Clerk's offices. The funds are submitted to the Kentucky Transportation Cabinet (KYTC) and a portion of the funds are forwarded to the Program as outlined in KRS 186.162(2)(aa) which designates that \$10 from the sale of new plates and \$5 from the sale of renewal plates is to be used by the Program.

Expenditures

The Program funds can be used for the Kentucky Department of Veterans' Affairs operations in accordance with an affidavit filed with KYTC.

Fund Balance

Fund balance represents the difference between assets and liabilities reported on the Program's balance sheet. The fund balance does not lapse for the Program, and therefore is available for use in future periods. Fund balance is classified as restricted. GASB 54 identifies fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, laws and or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation. The Kentucky General Assembly established the "I Support Veterans" specialty plate on July 12, 2012. KRS 186.1722 established the Program with its proceeds and interest required to be used to support Veterans.

**KENTUCKY DEPARTMENT OF VETERANS' AFFAIRS
I SUPPORT VETERANS LICENSE PLATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021
(Continued)**

Note 3 – Cash and Cash Equivalents

Participation in the Commonwealth's Internal Cash and Investment Pool

Receipts are deposited in the Commonwealth's general depository administered by the State Treasurer, who has statutory responsibility and authority to safeguard the monies. The Program participates in the internal cash and investment pool of the Commonwealth of Kentucky. Therefore, it follows the policies established by the Commonwealth for all pooled cash and investments. The Commonwealth's internal investment pool offers same day liquidity with no limitations, fees or restrictions on withdrawals. The risk disclosures related to deposits and investments are reported in the Commonwealth of Kentucky's Annual Comprehensive Financial Report. Accordingly, the Commonwealth of Kentucky's Annual Comprehensive Financial Report should be referred to for disclosures required by the Governmental Accounting Standards Board. For the year ended June 30, 2021, the Program's position in the pool totaled \$134,143.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

Lt. Col. (Retired) Whitney P. Allen Jr., Commissioner
Kentucky Department of Veterans' Affairs

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Kentucky Department of Veterans Affairs' I Support Veterans Plate (Program) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, and have issued our report thereon dated August 31, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Program's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Report On Compliance And On Internal Control Over Financial
Reporting Based On An Audit Of Financial Statements Performed
In Accordance With *Government Auditing Standards*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Farrah Petter, CPA
Assistant Auditor of Public Accounts

August 31, 2021